More Kiwis lose homes as recession bites - Sunday Star Times, 29 March 2009

New data has revealed the extent of the mortgagee-sale wave sweeping New Zealand and reveals which parts of the country are hardest hit.

Figures released exclusively to the Sunday Star-Times show there were 150 forced sales in January a whopping five-fold increase from January 2007's 28 sales, when the property market was robust and the economy stable.

And experts say the crisis is starting to hit average Kiwi families who can no longer meet mortgage payments due to job losses, stalling business growth and mounting debt.

This is only the second month that Terralink, New Zealand's leading land and property information service, has released mortgagee sales data the first of its kind to be based on actual sale transactions, so painting the most reliable picture of what's happening in the market.

There is no question that mortgagee sales are on the rise. From 2007 to 2008 the number of sales forced by the inability of a mortgage-holder to meet repayments increased 275%, climbing off the back of four years of relative stability. Such sales hit a 14-year high in December.

The January data reveals year-on-year increases around most of the country. Auckland continues to be the worst affected, with 76 mortgagee sales in January a 192% increase from the 26 in the same month last year. Waikato recorded 12 sales (up from five) and Wellington clocked up seven sales (up from five).

There were increases too in Northland (10 sales up from four), Hawke's Bay (seven sales up from one), Manawatu (four sales up from one), Wairarapa (two sales up from zero) and Taranaki (one sale up from zero).

In the South Island, Canterbury had 11 sales (up from seven), Otago saw eight (up from five) and Nelson (four sales up from two). There were small drops in Bay of Plenty, Marlborough and Southland.

Terranet says the nationwide surge in mortgagee sales is far from over.

January is typically a slow month for mortgagee sales so Terralink managing director Mike Donald was surprised they reached as many as 150 up 82 from January 2008.

``That's a huge increase, which would indicate to us that the mortgagee sale trend isn't dropping away.''

Preliminary figures for February also suggest the upward spike is continuing.

The nature of mortgagee sales is also changing. In December more than 70% were pushed by second-tier lenders such as smaller finance companies, many of which collapsed last year. But in January this dropped to 58%, meaning an increasing number of forced sales are being initiated by banks.

``Now that a lot of the finance companies are out of the picture, more and more mortgagee sales will be driven by the major lenders,'' said Donald.

Budget advisers say the prospect of being forced to sell a house is a very real fear for their clients.
Raewyn Fox, director of the Family Federation of Budgeting Services, says most callers to worried about meeting mortgage payments.
``The kind of people we are talking to, that's their only investment. Losing their house means they don't have anything else to fall back on.''

The latest mortgagee figures come on the back of two years of global credit crunch and recession, sparked by the collapse of the United States "sub-prime" mortgage market, where loans were given to people at a high risk of defaulting.

Although New Zealand is not facing the same catastrophe as the US, where one million people have already lost their homes, the recession may make it difficult for some Kiwis to rejuggle finances to save their homes.

Brokers say sourcing finance is becoming increasingly difficult, especially for highly geared borrowers who have less than 30% equity in their property.

As the Star-Times revealed last week, many homeowners, desperate to swap to lower interest rates and slash their weekly repayment amounts, are discovering that break fees charged by the banks are prohibitive.

Massey University banking expert David Tripe said the biggest risk factors leading to mortgagee sales were loss of income and the amount people owed compared to the value of their house the less equity you hold in your house, the greater your risk.
Unemployment in New Zealand is predicted to rise to around 7% by the end of the year that's 160,000 people out of work.

Experts say the best remedy is preparation. Banks encourage customers to talk to them at the first sign of trouble. And taking account of your financial position and preparing a budget is vital. Auckland First Rate Mortgages broker Steve McGowan says people need to work out where their money is going.

"You can't live like we lived two years ago when employment was high. We all had equity and we all felt quite wealthy and were buying the latest plasma screens. If you don't change the way you're doing things then yes, you are going to get yourself into a bit of trouble."

See www.zoodle.co.nz for Terralink's mortgagee sale data